

Financial Assistance Council

April 7, 2004

1. Meeting Agenda Overview, Introductions of New Program Manager and New Unit Supervisor
 - Introductions around the table
 - Jeff Nejedly, new Policy/Administrative Unit Supervisor with Financial Management Section of Water Quality, as of March 1, 2004
 - Dave Peeler, New Program Manager for Water Quality, as of April 1, 2004
 - i. Dave gave an overview of bills
 - Industrial Stormwater Permit Bill (increase in permit fees to finance inspectors needed)
 - 1. Credible Data Bill
 - 2. Use Attainability Analyses Bill
 - a. Not funded
 - ii. Overview of Budget
 1. There will be an anticipated general shortfall overall in the 2005-07 biennium
 2. We got a few of the adds, some on the capital side
 3. A few on the operational side
 4. Governor made two vetoes that affected our budget
 - a. Veto of sweeping Agency administrative costs
 - b. Veto of \$1 million appropriation for City of Enumclaw (outside of normal funding process)
 - Steve, Briefing on visit to Public Works Board Meeting, 4/6/04
 - i. Participated in their meeting re: the future of their program
 - ii. Public Works Trust Fund provides low interest loans to public entities for infrastructure (e.g., wastewater, water systems etc.).
 - iii. Legislature may be looking at PWTF as a pool of money that may be put to use elsewhere, much like our funds declining over the years
 - iv. Would require statutory change to implement
 - v. Steve will ask John LaRocque, Executive Director to come to our next FAC Meeting, June 2, to discuss changes being considered by the Public Works Board.
 - Dave noted that the President asked for \$30 million less (15%) in SRF funds
 - i. Effort on part of states to emphasize to Congress the need for these funds
 - ii. Past restoration of funds were conditional upon achieved results
2. 2004 Legislative Session and Supplemental FY 2005 Budget
 - Kim Wagar – PowerPoint presentation with accompanying handouts
 - i. Background and Historical Perspective
 - ii. The Water Quality Account and Centennial Program – at Conception and Now
 - iii. Water Quality Account Operating Activities Disaggregated by Ecology Program
 - iv. Money Available in the FY 2003-2005 Biennium and the 2004 Supplemental Capital Budget.
 - Watershed Planning Budget switched in 01-03 Biennium (2514 Planning Process)
 - i. Claudia/Is there an Outcome funding approach for this Program? As with Conservation Commissions (which are held accountable as to outcomes)
 - ii. Dave agreed that he would talk to his counterpart regarding their process and keeping the “playing fields” more level/consistent
 - iii. *Bob Stevens / Work Plan should be approved quickly after put together (requirement before applicants can receive funding)*
 - iv. *Claudia / Concern about whether funds will be available for implementation of the plans that have been constructed thus far*
 - WQ Financial Assistance Available FY 2003-05 Biennium – CCWF (-) Provisos
 - i. Anticipated expenditures and keeping an adequate balance in the account
 - ii. Ecology has committed funds, which have not yet been spent
 - iii. Causes a burden on future biennia vs. sufficient fund balances held
 - iv. We do Quarterly Reports accounting for obligations and deobligations

3. FY 2005 Funding Cycle to Date (See PowerPoint Presentation)
 - Steve
 - i. We have the draft list of applicants prepared
 - ii. Now ready to “stream the money”, as the budget is available (319 pending approval) – staff will do this on Thursday, 4/8 – will send draft to you via e-mail as soon as it is publishable.
 - iii. Draft List will be out mid-to-late May, estimated
 - iv. Projected \$90 m. SRF (loans) competitive funds available (\$109 m. in loan requests this year)
 - Dan
 - i. Review of Changing Funding Cycle
 - ii. Rank-Ordered List to Legislature for consideration in Budget planning
 - iii. Cycle moved up one month for FY05 Cycle/four months for FY06 Cycle
 - iv. Notices of Intent reflected close to actual amounts requested by applicants
 - v. FY06 Final List Availability – Dependent upon legislative timeline
 - vi. Ranked List would be provided to Legislature mid-January for FY06 List
 - Claudia – *Question/Assurance that we do not allow influence on consideration of specific projects between the application deadline and the draft list. Answer/This is true*
 - Selden – *Question/Moving up the timeline for FY06 Cycle*
4. Phase II Stormwater Permits and Funding Available – Bill Moore/Bev Poston (See PowerPoint Presentation)
 - Phase II rules requirements
 - i. All Municipal Separate Storm Sewer Systems located within census defined urbanized areas (pop.50k and 1k people/sq. m.) which discharge to surface waters – must be regulated
 - ii. Owned by a State, City, County, or other public entity; and
 - iii. Designed or used for collecting or conveying stormwater
 - Requirement #7 – Implement Applicable TMDLs
 - Funding Available
 - Estimate \$50 m./yr. to implement Phase II – Loan eligibility limitations exist as well
 - Permit fee-drive and supported program (collect permit fees to operate the program)
 - This will be a burden upon the communities who do not already have a program for implementation up and running – there is loan money, but no grant money available to help
 - Initial costs to communities – manageable / funding for TMDL process may be problematic
 - Perhaps we need to consider approaching the Legislature to explain this funding need
5. Activities and Facilities Workgroups Update – Overviews
 - State and Federal Land/Livestock Well BMP Management Decisions
 - i. Who are our primary customers? (small farmers, dedicated people to give \$ to)
 - ii. Differentiation between who we serve
 - iii. Conservation Commission does cross-share agreements on state land w/lessees
 1. based on Water Quality problems w/in the conservation district
 - iv. Memorandum of Agreement (MOA) w/ U.S. Forest Service to fix own problems
 - v. DNR can request and receive state funds through the Legislative Budgeting process and the US Forest Service through the Congressional Budgeting process.
 - vi. At issue is the cost of BMP Implementation... setting sideboards on particular wells
 - vii. Claudia / *Suggestion to reconsider to allow just providing off-stream watering without fencing does provide a benefit vs. need to have both (also that for her area fencing the Colville River would be a difficulty for farmers) – supportive/flexible*
 - viii. Dan / *FAC Members are invited to communicate via e-mail to offer their ideas, suggestions, and input regarding Insert A. **Deadline for comments would be April 30, 2004 (to meet policy-setting timeline)***

ix. *Dan will e-mail this handout to Cheryl Witt of Conservation Commission and will have this and other handouts from today posted to the FAC web site.*

- Grant and Loan Match Matrix
 - i. Explains which state and federal grant and loan funds can be matched & amounts; Dan passed around for reference. The Matrix is meant to be used as a tool for applicants, recipients, stakeholders and Ecology Staff.
 - ii. This will be a tool/guide to help applicants and ourselves to decipher match
 - iii. Dan will finalize by next meeting (plans to send with June 2 Agenda)
- BMP Matrix
 - i. Looked at by Activities Workgroup
 - ii. Riparian restoration and fencing are requirements in the law
 - iii. Well, monitoring, forest/state service property issues need to be in the Guidelines
 - iv. Stormwater and reclamation reuse funding also need further clarification – what will we fund out of a particular project...
 - v. *Sandi Boughton/Good to identify other resources available for those we cannot fund*
 - vi. Let Steve know if you or your staff are interested in being involved in a Workgroup
 - vii. We'll send an e-mail to FAC to explain Workgroups/schedule/timelines/process

6. State Audit Report and Risk-Based Response

- Audit Recommendations for Multiple Ecology Programs
 - i. FAC participation welcomed in addressing audit recommendations
 - 1. Obtain and review invoices/receipts to ensure that costs are allowable and support the reimbursement requests (currently: we trust Recipients)
 - 2. Documented on-site visits by the Project Managers
 - 3. Obtain invoices on refinance projects
 - ii. WQP has a Risk-Based Approach
 - 1. Expanded Risk-Based Strategy Proposal for Payment Requests
 - a. If at least one of the following conditions exist for a loan or grant recipient, increased oversight may be warranted:
 - i. Loans/Grants over \$75,000 (suggested)
 - ii. First-time Recipients (*Claudia suggested "or Change in Key Personnel"... they need help/training*) – Recipient Training
 - iii. Recipients whose loan or grant ended more than three years prior to the current loan or grant offer
 - iv. Internal control audit finding within the last 3 years or with the last project
 - v. Poor performance on existing or past projects
 - vi. Innovative or unusual pilot or complex projects
 - vii. Recipients that receive a 50% upfront disbursement of grant funds (loans not applicable in this scenario)
 - viii. First-time implementation projects
 - 2. Expanded Risk-Based Strategy Proposal for Site Visits
 - 3. Expanded Risk-Based Strategy Proposal for Refinance Projects
 - iii. Increased Oversight Notification
 - iv. Discussion
 - 1. *Dan Steinborn: Quote from President Reagan – we have to trust our borrowers, but we have an obligation to verify.*
 - 2. *Recipients are already required to meet many documentation and reporting requirements and the addition of more may reduce the appeal of the program*
 - 3. *Frank Boyle: The State Auditor audits entities' (who receive state money) financial statements already, so it seems redundant to have to do that again just for a loan*

from Ecology. Any problems identified would be brought out in the initial State auditing process.

4. *Dave Peeler: How do we know whether the State Auditor has already done an audit?*
5. *Can providing a copy of a state audit be provided in lieu of increased oversight conditions*
6. *On exit interview, Steve noted that State Auditors didn't care about what the Recipients were doing, but rather were focusing on Ecology's internal process.*
7. *Stephen: State Audit Process changed in the mid-90's and now it's not a straight financial audit, but a performance audit*
8. *Claudia: Suggests requesting copies of the other audits done in Conservation Districts or do a pre-audit with Recipients to see that paperwork is in order. Training of recipients on grant and loan administration is key to preventing problems.*
9. *Cheryl Witt: Smaller groups may be less likely to be audited, due to small funds - State Auditor funds are becoming more limited, so they're doing cursory audits.*
10. *Sandi B. suggested oversight checklists and consolidating recommendations and addressing them collectively through risk-based back up, recipient training, and tracking performance.*

v. **Tangible Ideas for Review Criteria:**

1. New projects
2. Small projects
3. "Poor Performance" projects - Areas where there are higher levels of risk
4. Random
5. Exchange Inspection Reports (don't reinvent the wheel)
6. Thorough documentation on site visits
7. Reconciliation/Review of final costs (vs. audits) before closeout

vi. **Cheryl Witt: Here's what the Conservation Commissions do:**

1. Require complete documentation on all first-time vouchers
 - a. timesheet backup
 - b. travel voucher backup
2. Do random checks thereafter
3. Require a monthly vouchering
4. Partner with them to keep them off Auditor's radar

vii. **Frank recommended**

1. Review a percentage of each level of loans
2. In addition to problematic projects

viii. ***This presentation will be posted to the FAC web site. **Deadline for comments via e-mail would be April 30, 2004 (to meet policy-setting timeline)*****

7. **Review Meeting, Confirm Future Topics and Next Date, Schedule for Upcoming Meetings, Adjourn**

Continued Discussion Topics for Future Meetings:
FY 05 Funding Cycle
SRF Interest Rate Considerations – June 2, 2004
SRF Administrative Costs – June 2, 2004
AC/SA Pilot Rule Implementation – June 2, 2004
Budget – June 2, 2004
Draft List – June 2, 2004
Minimum Threshold Evaluation Determination
FY 06 Funding Cycle
Stormwater Eligibilities
Water Reclamation Eligibilities
Outcome Funding Strategy Updates

Scheduled FAC Meetings:
June 2, 2004 – Ecology OA-36
October 6, 2004 – Ecology OA - 36